



The Real Estate TRENDS

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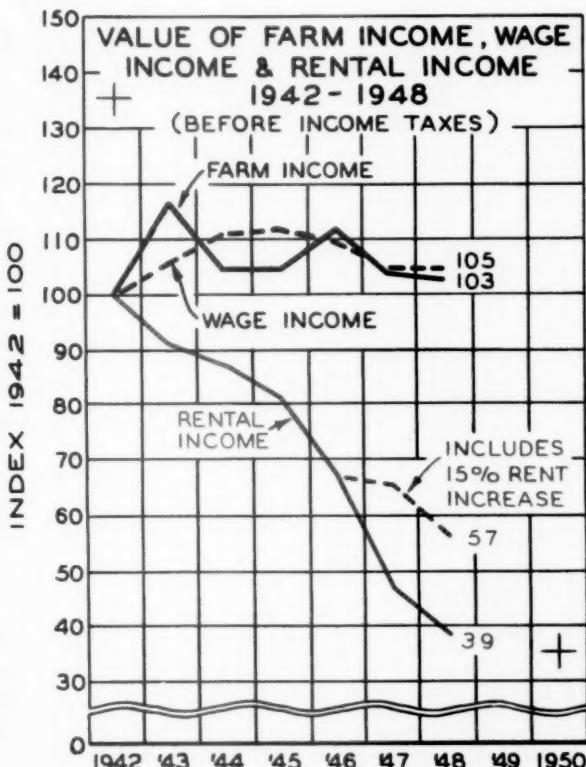
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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

RENTS

His following statement is one of the few with which we found ourselves in agreement, but in view of subsequent developments, it must have been made with tongue in cheek:

Real estate can not be lost or stolen, nor can it be carried away. Purchased with common sense, paid for in full and managed with reasonable care, it is about the safest investment in the world.

The accompanying chart points out that under rent control, real estate can, in effect, be stolen, or eventually lost, and has, therefore, become a very risky investment, regardless of the sagacity, thrift and business ability of the property owner. This chart shows what has happened to the dollars received (before taxes) by wage earners, farmers and small property owners since 1942. For purposes of comparison we have assumed that in 1942 the dollars each of the three groups received were worth 100¢. In other words, before rent controls were applied, all three groups were more or less on an equal basis. Since that time the value of the small property owner's dollar, attacked on three sides by rising operating costs, rising living costs and a stationary rent schedule, has shrunk to 39¢. If the property owner was able to take advantage of the 15% rent increase, the shrinkage stopped at 57¢.



Meanwhile, the dollars received by farmers rose to a value of 117¢ in 1943 and 112¢ in 1946. The value of the dollar is expressed in terms of what a farmer's income would buy. In 1943, for example, the average farmer's net income increased 17% more than did the prices of the articles he had to buy with that income. At the end of 1948 the farmer's net income still showed a 3% greater increase since 1942 than did the prices of the commodities he had to buy. Therefore, the farmer's dollar at year's end was worth 103¢.

The figures on the value of the average wage earner's income are interpreted in the same manner, and in 1948 amounted to 105¢. That this wide difference in purchasing power should exist is almost entirely attributable to the rent control laws and their administration.

Apparently, the astonishing 81st Congress is determined to grant some relief from the stringent control of the past several years. Virtually all of the President's requests are either being ignored or drastically altered. As we go to press, a final rent control bill has not emerged but the indications are that the controls are to be slackened considerably. Needless to say, the "home rule" provisions, while historically a step in the right direction, are likely to lead to a crazy quilt of local rent legislation. If this does develop, the "home rule" provisions will have been of doubtful value.

REAL ESTATE ACTIVITY

During February our national real estate activity index dropped to 18.9 points above the long-range computed normal. This is the lowest point the index has occupied since the beginning of 1945. Although the national index has continued to decline, there are some cities that have shown increases in activity since the first of the year. Boston and Philadelphia recorded the biggest two-month gains, between 8 and 10%; Denver, Pittsburgh, Hartford, St. Louis and Westchester County, New York, also showed small increases.

On the other hand, Oklahoma City, Atlanta and Houston have shown declines ranging from 10 to 14% in real estate activity since December 1948, and Milwaukee, Tulsa, New York and Los Angeles show declines of about 5%.

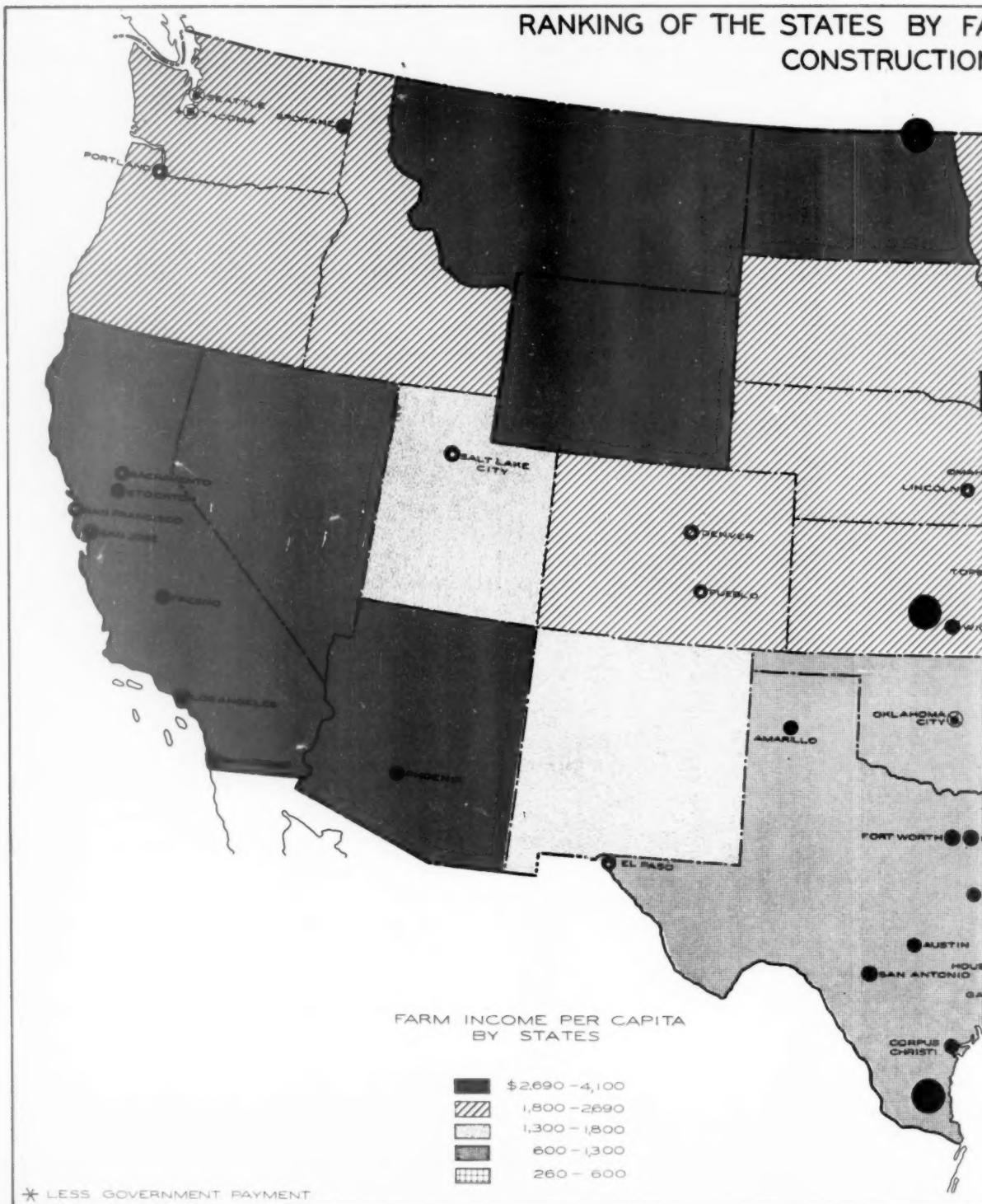
Although the national cycle is definitely in its downswing, real estate activity will probably remain above normal for most of 1949. As we have pointed out before, the solid brokerage establishments, provided they obtain their listings at a realistic price, can enjoy another successful year in 1949. The years ahead will, however, place a sterner burden upon the ingenuity and energy of the successful operator - many of the marginal firms will drop out of the race.

REAL ESTATE MORTGAGES

After rising slightly for the last two months of 1948, the real estate mortgage activity index lost most of its recent gains when it fell to 161.6 in January. Mortgage money continues to tighten over most of the country, even when enticed by rather sizable down payments. The government-backed VA loans are also becoming more and more difficult to place.

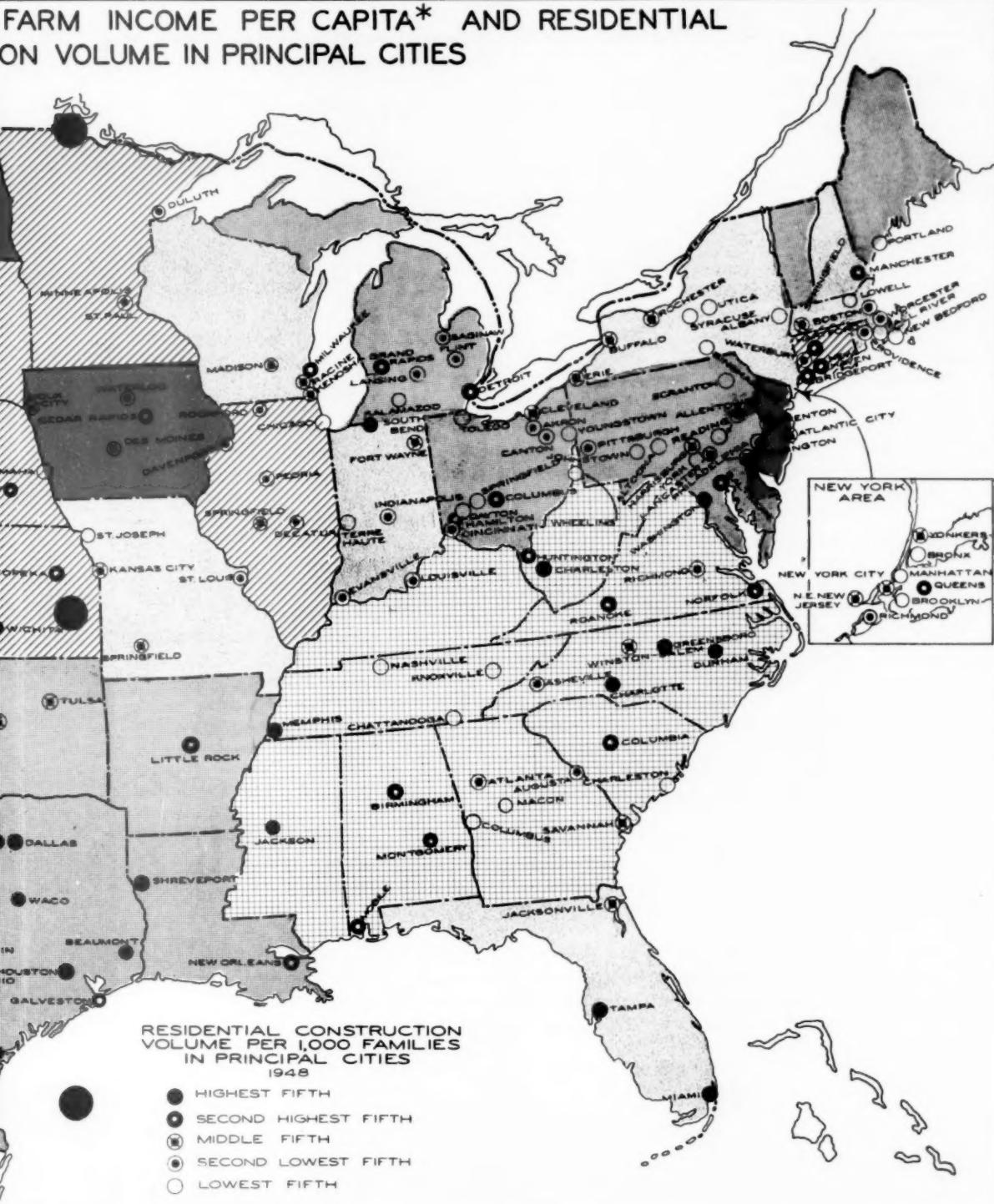
Part of the tightness in mortgage money is due to the general feeling of apprehension regarding the future. After three years of riotous boom the comparative

RANKING OF THE STATES BY FAIR CONSTRUCTION



*** LESS GOVERNMENT PAYMENT**

FARM INCOME PER CAPITA* AND RESIDENTIAL CONSTRUCTION VOLUME IN PRINCIPAL CITIES



calm has put many lenders decidedly on edge. While we hope it does not, there is some chance that this feeling of uneasiness will result in an unwarranted extreme reversal of lending policies. We have advocated conservatism in financing for the past two or three years, but this is a poor time for lenders to swing too far to the super safe side.

FORECLOSURES

Since reaching a near low of 2.7 foreclosures for every 100,000 nonfarm families in May of 1948, the foreclosure index has been climbing almost imperceptibly. It now stands at 3.4, the point it has occupied for the past four months. We believe that the foreclosure index will continue to drift upward very slowly during the rest of the year. We do not look for a dangerous increase.

RESIDENTIAL CONSTRUCTION

The estimated number of nonfarm residential units started in January and February 1949 was 50,000 and 46,000, respectively, compared with 52,600 and 49,600 in January and February 1948. The total for these first two months of 1949 is 96,000, compared with 102,200 for the same period of last year. This represents a decline of slightly over 6%. We believe that residential construction will continue to decline slowly through the rest of 1949.

CONSTRUCTION COSTS

We have just completed our nation-wide survey of construction costs in 49 cities. This survey indicates that nationally, construction costs started to decline slightly in the fourth quarter of 1948. From a peak of \$14,261 in the third quarter of 1948, the national average declined to \$14,085, a drop of \$176, or 1.2%. While this change is of very little consequence dollarwise or percentagewise, it does represent the first drop in the national average since 1939.

Although most cities have recorded lower construction costs since the third quarter of last year, there were some that continued to increase. On page 139 appears a table showing the construction costs of the standard six-room frame house in 49 cities for the third quarter of 1948 and the first quarter of 1949, with the percentage change since the 1948 figure.

The figure shown in this table for the 1949 cost in Jackson, Mississippi, is different from the figure shown in the Real Estate Analyst study. This is because additional information was very recently received making a resurvey of Jackson costs possible. This resulted in a reduction of about \$400 in the 1949 cost.

We expect a continued slow decline in costs in those areas where they have already started dropping and a leveling off, followed by an early decline, in those areas that have not yet shown a decrease. Reports of higher labor efficiency continue to come in from different portions of the country.

We will be glad to discuss any of these costs with our subscribers and will welcome letters regarding them.

The cost of building the six-room frame house in St. Louis declined from its February peak of \$14,694 to a figure of \$14,641 in March, while the five-room brick veneer house dropped from a February peak of \$13,099 to a March figure of

| | 3rd Quarter 1948 | | 1st Quarter 1949 | | % change from 3rd quarter 1948 to 1st quarter 1949 |
|-----------------------|------------------|--------------|------------------|--------------|--|
| | Cost | Cu. ft. cost | Cost | Cu. ft. cost | |
| Albuquerque, N. M. * | \$12,815 | 63.5¢ | \$12,505 | 62.0¢ | -2.4% |
| Atlanta, Ga. | 11,838 | 46.7 | 11,685 | 46.0 | -1.3 |
| Austin, Tex. * | 12,602 | 62.5 | 12,420 | 61.6 | -1.6 |
| Birmingham, Ala. | 11,889 | 46.9 | 12,271 | 48.4 | +3.2 |
| Boise, Idaho | 13,941 | 54.9 | 13,515 | 53.3 | -3.1 |
| Burlington, Vt. | 14,189 | 55.9 | 14,274 | 56.2 | +0.6 |
| Butte, Mont. | 14,334 | 56.5 | 14,755 | 58.1 | +2.9 |
| Charleston, S. C. | 11,491 | 45.3 | 11,175 | 44.0 | -2.7 |
| Charleston, W. Va. | 14,556 | 57.4 | 14,860 | 58.6 | +2.1 |
| Charlotte, N. C. | 12,311 | 48.5 | 12,303 | 48.5 | -0.1 |
| Chicago, Ill. | 14,239 | 56.1 | 13,747 | 54.2 | -3.5 |
| Cincinnati, Ohio | 14,807 | 58.4 | 14,234 | 56.1 | -3.9 |
| Cleveland, Ohio | 14,739 | 58.1 | 14,951 | 58.9 | +1.4 |
| Denver, Colo. | 14,498 | 57.1 | 14,129 | 55.7 | -2.5 |
| Des Moines, Iowa | 14,493 | 57.1 | 14,218 | 56.0 | -1.9 |
| Detroit, Mich. | 14,284 | 56.3 | 13,533 | 53.3 | -5.3 |
| Fargo, N. D. | 14,797 | 58.3 | 14,623 | 57.6 | -1.2 |
| Hartford, Conn. | 14,552 | 57.3 | 15,182 | 59.8 | +4.3 |
| Houston, Tex. * | 12,374 | 61.3 | 12,441 | 61.7 | +0.5 |
| Indianapolis, Ind. | 14,510 | 57.2 | 14,140 | 55.7 | -2.5 |
| Jackson, Miss. | 11,293 | 44.5 | 11,848 | 46.7 | +4.9 |
| Knoxville, Tenn. | 11,495 | 45.3 | 11,388 | 44.9 | -0.9 |
| Little Rock, Ark. | 13,001 | 51.2 | 12,765 | 50.3 | -1.8 |
| Los Angeles, Calif. * | 12,192 | 64.4 | 12,188 | 60.4 | -0.1 |
| Louisville, Ky. | 13,341 | 52.6 | 13,624 | 53.7 | +2.1 |
| Manchester, N. H. | 14,542 | 57.3 | 14,189 | 55.9 | -2.4 |
| Memphis, Tenn. | 12,204 | 48.1 | 12,137 | 47.8 | -0.5 |
| Milwaukee, Wis. | 14,299 | 56.3 | 14,233 | 56.1 | -0.5 |
| Minneapolis, Minn. | 14,487 | 57.1 | 14,085 | 55.5 | -2.8 |
| New Orleans, La. * | 12,621 | 62.6 | 12,715 | 63.2 | +1.0 |
| New York, New York | 15,451 | 60.9 | 15,401 | 60.7 | -0.3 |
| Oklahoma City, Okla. | 13,212 | 52.1 | 13,426 | 52.9 | +1.6 |
| Omaha, Neb. | 13,460 | 53.0 | 13,135 | 51.8 | -2.4 |
| Philadelphia, Pa. | 13,379 | 52.7 | 13,133 | 51.8 | -1.8 |
| Phoenix, Ariz. * | 14,512 | 71.9 | 13,851 | 68.7 | -4.6 |
| Pittsburgh, Pa. | 15,667 | 61.7 | 15,671 | 61.8 | 0.0 |
| Portland, Me. | 13,251 | 52.2 | 13,870 | 54.7 | +4.7 |
| Portland, Oreg. | 13,120 | 51.7 | 13,520 | 53.3 | +3.0 |
| Providence, R. I. | 15,187 | 59.8 | 14,931 | 58.8 | -1.7 |
| Reno, Nev. | 14,186 | 55.9 | 14,077 | 55.5 | -0.8 |
| Richmond, Va. | 12,098 | 47.7 | 12,267 | 48.3 | +1.4 |
| Salt Lake City, Utah | 14,360 | 56.6 | 14,086 | 55.5 | -1.9 |
| San Francisco, Calif. | 13,824 | 54.5 | 13,595 | 53.6 | -1.7 |
| Seattle, Wash. | 13,229 | 52.1 | 13,170 | 51.9 | -0.4 |
| Sioux Falls, S. D. | 15,339 | 60.4 | 15,110 | 59.5 | -1.5 |
| Trenton, N. J. | 16,189 | 63.8 | 16,009 | 63.1 | -1.1 |
| Washington, D. C. | 13,827 | 54.5 | 13,911 | 54.8 | +0.6 |
| Wichita, Kan. | 13,271 | 52.3 | 13,062 | 51.5 | -1.6 |
| Wilmington, Del. | 14,636 | 57.7 | 15,181 | 59.8 | +3.7 |

*No basement.

\$13,017. The detailed breakdown of these costs for selected periods appears on page 135. These decreases in cost are, likewise, of very little consequence except for the fact that they represent the first decline of more than a dollar or two since the middle of 1947.

EXPLANATION OF MAP

The map on pages 136 and 137 shows how 140 metropolitan areas ranked in the rate of residential construction started in 1948. The areas are placed in five groups, and their rank is signified by the type of dot indicating their geographical location. From this map it is readily apparent that the fastest rate of building has been going on in the southern and western portions of the country, and that the slowest rate has occurred in the eastern and northern sections.

The shaded areas covering the outlines of the States indicate the ranking of the State in the amount of farm income received in 1948 per capita of population. Obviously the reason such States as Nevada and Delaware rank so high is the fact that they have very small farm populations. The nine top ranking States are led by California, with a farm income of \$4,100 per capita of farm population. The lowest State in the top group was North Dakota, with a figure of \$2,691 per capita.